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SUBJECT: The German Political Scene at the Turn of the Year.

The enclosed Memorandum contains a review of the major political problems, the state of the Federal Republic's foreign relations, and the internal political situation at the beginning of 1962. The Embassy's conclusions are in summary as follows:

The Berlin problem overshadows all the rest. The shock experienced by the Germans at the erection of "the Wall" on August 13 and the absence of any significant and tangible Allied response produced doubts about Allied intentions, criticism of Allied tactics and of Bonn's inaction, and a sense of frustration among both Berliners in particular and Germans in general, who simultaneously wish to have a greater voice in their own fate and yet recognize that both the capability and the responsibility of safeguarding Berlin and European security lie primarily in the hands of their Allies. The Germans have endeavored to be a good Ally, providing generous material support for Berlin and building up forces toward NATO goals. At the same time they nervously scan every sign for a hint of changes in Western strategy or policy over Berlin. Realizing that any concession for the sake of the alliance is apt to be at the cost of their own national interests — and charged against those German leaders and parties which have most closely identified themselves with the alliance — the German Government has sought to reduce the risks by limiting negotiations with the Soviets to the narrowest basis possible.

The Germans are caught in dilemmas whichever way they turn. It is an emotional impossibility for any of them — especially any political leader — to renounce the aim of reunification; yet they know in fact that

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the prospects are remote. At the same time, interest in reunification has been greatly stimulated by the events of August 13 and thereafter; for the simple reason that so many West Germans and West Berliners feel all the more strongly for their oppressed fellow citizens in the East, many of them relatives and friends. It is also an emotional impossibility for the Germans to renounce West Berlin's identification with the Federal Republic, though they realize in fact that its security depends on retention of the city's separate status as an Allied occupied area. Or to renounce the sanction of war and threat of immediate nuclear retaliation for any vital infringement of Allied rights in Berlin, though they know that there is likely to be a gradation of several steps before the whole alliance would commit itself to the ultimate sanction, or indeed even to costly intermediate sanctions. The net result is that they are thrown onto the defensive, quick to see the disadvantages of others' proposals and at a loss what to suggest on their own.

In 1962 we may anticipate that the Federal Government will continue responsibly to associate itself with its Western Allies, particularly the U.S., in seeking the preservation of West Berlin's freedom and viability, including if feasible a negotiated settlement, while building up German Armed Forces. Bonn's policy is apt to remain both substantively and tactically defensive because of fears that the Allies may go too far, causing the Federal Republic to pay too high a price for a modus vivendi on Berlin. It will probably find a certain comfort and sense of reinsurance in French intransigence and will continue to look with misgiving at possible British influence in the Berlin question.

Two other problems of major significance that bear a relation to the Berlin situation are the defense measures taken by the Federal Republic and questions that have arisen wth regard to nuclear weapons and NATO strategy.

After going through the first eight months of 1961 with no notable sense of urgency in its defense build-up, the Government was galvanized into action as a result of the developing Berlin crisis. It is now proposed to extend the period of compulsory military service from twelve months to eighteen months, and to increase the 1962 Defense Budget, originally set at DM 13.5 billion, to 15.6 billion. The Government expects to secure parliamentary approval for these measures without too much difficulty. An interim administrative measure extending compulsory service for three months will raise the total strength of German forces to 375,000 (inclusive of January draftees) as compared with 291,000 in January 1961. In anticipation of the budget increase, the Ministry of Defense has already greatly expanded procurement of conventional equipment. Government-to-government orders from the U.S. alone reached over \$600 million in 1961 as compared with a previous annual level of \$250 million.

Attention to the achievement of NATO goals, seen in the build-up of German forces, did not divert the Federal Government from its interest in the future pattern of Western defense strategy and a certain disquietude lest the United States was considering a major shift in strategy (in the direction of priority upon conventional forces to improve the capacity of the Alliance to meet certain types of limited action and thereby raise the threshold at which nuclear weapons would be committed). The Bonn Government is eager to build up

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the German nuclear delivery systems (warheads subject to U.S. control) on the most modern basis. This is a reflection of the conviction that the effective defense of Western Europe — above all Federal Republic territory — may require virtually immediate use of nuclear weapons, at least tactical ones. The Federal Republic also wishes urgent attention to be given to the development of NATO as a fourth atomic power. It favors the development of some formula giving all NATO members, or at least those directly affected by any prospective aggression, a voice in determining the moment when nuclear weapons will be used. The Socialist opposition still harbors certain reservations about making NATO a fourth atomic power, and has shown no enthusiasm for giving control of tactical nuclear warheads to the Bundeswehr. They are also less opposed to discussion of European security plans involving denuclearized zones or other forms of "disengagement," which are strongly opposed by the Government.

In fields not connected with the Berlin situation there are indeed problems, but they can be viewed with much more reassurance. The Germans contributed substantially toward sustaining the momentum of the Common Market, despite the internal problems this creates for agricultural interests, and saw their efforts rewarded in mid-January by the agreements reached upon entry into the Second Stage, which the Chancellor hailed as a decisive and historic step toward the goal of European political union.

In the field of foreign or "development" aid the Government committed itself to almost \$1.5 billion in long-term loans for projects in 38 countries to be disbursed over several years. The actual disbursements in 1961 totaled about a quarter of a billion dollars, which compares favorably with the United States and the United Kingdom in percentage of GNP devoted to such purposes. Since the Federal Government's defense expenditures are considerably lower than those of its major Allies, it could afford to do substantially more in development aid. In connection with aid, the Government has added a political caveat — with an eye towards Berlin and East Germany — that "the German people would not understand if we were to enter into development partnerships with states that do not recognize our right to self-determination."

West German labor registered substantially greater collective bargaining gains in 1961 than in previous years and will continue to enjoy the advantages of a tight labor market in the unbroken upward trend of major branches of the German economy. Labor's dilemma is that it is confronted with the necessity of cooperating with the Federal Government in withstanding intensified Soviet pressures against Berlin, which will require certain "sacrifices," but fears that the new coalition Government will follow a "socially-reactionary" and anti-labor course, at the prompting of the FDP. These suspicions may become a major obstacle to improvement in union-government relations.

Except for relations with the Communist Bloc, which are at a nadir because of the Berlin crisis, the Federal Republic's foreign relations have generally borne up well. Those with the United States are decisive. Over the past fifteen years the two countries have built up a capital of reciprocal good will, close personal contacts and mutual confidence, on which both can continue to draw with profit. An example during the past year was the Strauss-Galpatric agreement

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under which the FRG will undertake military transactions of direct benefit to the U.S. balance of payments in return for U.S. participation in a cooperative logistics system. This program, if accepted by other affected Allies (particularly France) and carried to its logical conclusions, could also achieve an integration of national logistics systems to a degree previously unknown.

The Federal Republic's policies in Europe continue to be strongly influenced by the so-called Bonn-Paris Axis. The Government feels that it can best contribute to the steady development of economic and political integration in Europe by keeping closely in step with France. This cooperation has been especially fruitful in strictly bilateral matters. In problems of wider interest, such as the question of negotiations with the Soviets over Berlin, the Germans are not prepared to sacrifice their good relations with other Allies above all the U.S., in order to meet French objections. At the same time, if convinced that the United States was prepared to pay a price for a settlement with the Soviet Union which would run counter to Germany's own interests, the Germans probably feel that they have a reinsurance in the French connection, which they might then, if need be, develop into a kind of "third force."

Despite recurrent surface difficulties with the British, the Federal Republic recognizes that, next to the United States, the United Kingdom enjoys a key position in the Western Alliance and in most respects exercises commensurate international influence. The Federal Republic has shaped its policy accordingly, with the aim of strengthening the underlying pattern of friendship and cooperation with Britain. The Germans particularly wish for U.K. membership in the EEC.

The Federal Republic's policy and generosity toward the Middle East states is characterized by great caution and a conviction that Arab problems (including that of Arab-Israeli relations) will have to find a local solution within the region itself. Toward the African states, the Government attunes its policy according to the two factions -- the radical Casablanca group and the more moderate Monrovia powers. The Federal Republic has cultivated the latter, both economically and politically, with almost missionary zeal. It has been rewarded, as the new Government stated in its declaration of November 29, by the result that "twelve African states, recently assembled at Tananarive, passed a resolution objecting to the forcible separation of the Eastern part of Berlin and demanded an early solution of the German problem on the basis of self-determination." Major German interests in South Asia and the Far East have been economic, subject to a similar vigilance concerning the Asian states' attitude toward the "DDR." Certain circles in the Foreign Office and the Bundestag feel that the Federal Republic's policies towards Latin America have not been as energetic as they should be, owing to the preoccupation of the top echelons with more pressing problems such as Berlin and European security. They feel that the political dividends received from the Latin American states have been a good return on the modest economic aid provided (327 million DM compared with 2½ billion DM for South Asia and the Far East). Foreign trade with Latin America is greater than with all of Africa.

The internally political situation has been perceptibly stabilized since November 66, when the coalition government was finally formed. In the elections on September 66,

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the Chancellor and the CDU/CSU suffered a setback. The Chancellor no longer holds the reins of power so firmly in his hands and the coalition's FDP partner contains many restive elements. Nevertheless, the coalition was so difficult to put together that no one can lightly contemplate letting it soon fall apart, and vis-a-vis the opposition it possesses a comfortable majority (309 seats to 190 for the SPD).

With regard to major policy, the coalition partners have fewest differences over defense. Before and during the election campaign, the FDP took a line on Berlin and the German question which differed from that of the CDU in calling for recognition of realities, more flexibility and new initiatives. The then CDU Government was criticized sharply for inaction and inertia on reunification. Since the formation of the new coalition Government, Mende and other FDP leaders have played down differences and have stated their general agreement with Government policies. There remain, however, important elements in the FDP who favor a new approach on the German question, including some type of German "unilateralism" in dealing with the Soviets. This group might well prevail in the party at some future date should affairs go badly with respect to Berlin. Elements in the FDP also differ with the dominant CDU/CSU line on such issues as European integration, agricultural policy within the EEC, and development aid, but this is considered hardly enough to put the coalition under serious stress in the immediate future. Domestic policy (social welfare wing of the CDU versus the financial and industrial interests represented by the FDP) could cause more trouble; but Adenauer and Mende appear determined to make the coalition work, and through tacit understandings at the top they will probably be able to do so.

The Socialists did not do as well in the elections as they had hoped, but derived solid comfort from the fact that their share of the popular vote rose from 31.8 to 36.3 percent. In recent years the party has transformed itself into an essentially bourgeois party of somewhat leftist hue. It has developed a strong leadership whose aim it is to exercise the same kind of "responsible opposition" as its British Labor Party colleagues. On such problems as the Common Market and development aid they have little quarrel with the Government. They will continue vigorously to champion labor's cause. They stand for the strongest Berlin policy, and loyal cooperation with NATO and the Alliance. In defense matters, they oppose an expansion of independent nuclear capabilities, and have been critical of the Chancellor and Defense Minister Strauss for allegedly aiming to acquire such a capability under the guise of NATO policy.

Extreme right or left parties have become negligible splinters, with no seats in the Bundestag.

In any consideration of German internal politics, allowance must be made for the position of the Chancellor, the state of his health, and the relative strengths of his potential successors. The results of the September elections and coalition negotiations thereafter represented a personal defeat. It has not shaken his aplomb or his self-confidence that he is the only man with the requisite experience to lead West Germany in the critical days ahead. Moreover, in the intra-party and coalition dickerling after the elections he demonstrated for the nth time that no rival can match him in astuteness or in

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intangible reserves of strength (which "in large measure reside in the "average man's" continuing confidence in the Chancellor's exceptional ability to lead the country). The FDP professes to believe that the Chancellor has committed himself to step down from office in 1963. He has not confirmed this.

Among his possible successors, Erhard appears still to enjoy the greatest amount of popular support, though his prestige has declined among fellow-politicians. Schroeder has improved his relative position owing to his appointment as Foreign Minister. Brentano has gained new respect for the dignified manner in which he stepped out of the Government to take over leadership of the CDU in the Bundestag. Defense Minister Strauss has no more than held his ground, but his strength and abilities are acknowledged and he remains a serious candidate for the future. Krone and Gerstenmaier are mentioned as compromise candidates with an outside chance.

On balance the Embassy would characterize the outlook for the Federal Republic in the coming year as prospectively stable and strong. It is supported by extraordinary prosperity and good alliances, subject however to the strains arising out of the Berlin problem and question of security, where the Germans are emotionally involved and where the limitations under which the Government operates tend to force it into defensive attitudes and narrow policies. Apart from their dependence on the Allies with regard to Berlin and security, the Germans feel that their position in NATO, the assistance they have provided to ease American balance-of-payments problems, and the contributions they are making for development aid, all demonstrate their acceptance as a full-fledged Ally, entitled to the corresponding privileges as well as the responsibilities. Isolated vexations remaining over from occupation times (e.g. certain property questions and a residual "tripartism" along with the quadripartite procedures developed since admission to NATO) seem to them a little incongruous. From an Allied point of view, they can afford to make further contributions, politically and financially, commensurate with the international stature which they have now achieved, and can be counted upon to do so to the extent that they are treated as an equal within the Alliance and know German national interests with respect to Berlin and eventual reunification are duly recognized.

For the Ambassador:

Coburn Kidd
Counselor of Embassy

Approved in draft: Ambassador Dowling
DCM: Minister B. H. Morris

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* * *

* Chapters drafted as of January 1, 1962, with exception of II(E) on Eastern Policy, revised to include German reactions in the first weeks of January to Soviet Memorandum of December 27, 1961.

Drafting officers:

POL: JFPercival/JStarkey/EABrown/FDVreeland/HSchrinner and VUlriksson/
RDDavis/PRSweet/GEMouser:gc/mk/ae/am

Chapters I(D,E,F) and II(D,E,F,G) coordinated in draft with:
ECON: EGetzin, ACizauskas, and GKing.

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In 1961 Berlin posed Germany's major national and international political problem. Always a symbol, the city became even more so after the events of August 13. In Germany, how the West faces Soviet pressures on Berlin is seen as the touchstone of NATO's ability to assure European security as well as the test of U.S. will and determination to lead the Alliance successfully.

Since November 1958 the Germans had readjusted themselves to living with the Berlin problem recreated by Khrushchev's threats. The erection of "the wall" on August 13 drastically changed this situation. It focused public attention on Berlin at a time when the government party was involved in an electoral campaign. Lack of an immediate effective Western response to this Soviet/East German move created a clamour for countermeasures. Psychologically the German has a guilt feeling about his responsibility to his fellow Germans in Berlin and in Eastern Germany. Thus, his natural response to the "wall" was one of a frustrated desire for action on the part of his government and his country's allies. When no response occurred, a malaise was created in the public mind. Foreign policy issues, particularly the defense of Berlin, came sharply to the fore. The SPD, under Brandt's leadership, used the opportunity to attack the government's inaction and to give vague assurances that had the SPD been in office, the Federal Republic's foreign policy, particularly with respect to Berlin, would have been more effectively pursued.

While the visit of Vice President Johnson in late August to Berlin and the sending of a U.S. battle group to the beleaguered city restored the battered confidence and morale of the Berliners, then at a low ebb, the general situation following upon August 13 highlighted the difficulties faced by the West in defending their position in Berlin. Quite widespread criticism was voiced at what was regarded as the premature revelation of the West's vital interests, i.e., freedom of access, the presence of Allied Forces in Berlin, the freedom of the people of Berlin, and Berlin's viability. It was argued both publicly and privately that the West had signaled prematurely what it was prepared to defend at all costs, thus assuring the East that the closure of the sector border would not result in any counter-action. By creating a new situation in Berlin through the erection of the wall, the Soviets, German observers felt, forced the West from then on to defending the "status quo minus". Rumors in early September, prior to the September 17 elections, of possible difficulties with respect to air access contributed to the general psychological uncertainty. The West was seen as responding feebly to Eastern initiatives; the Government was accused, even by some of its own adherents, of sitting on its hands. In such an atmosphere the elections took place. Subsequent internal political maneuvering and inability to form a government for such a lengthy period also created doubts about the German capacity to contribute effectively and responsibly to meeting the Soviet challenge to Berlin.

* POL:LFPercival

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Western, and particularly U.S. ability to counter the Soviet challenge over Berlin was regarded as symbolic of Western ability to assure European security. The German analysis of Soviet motives and intentions starts from the assumption that the Soviets intend, if they can, for communism to rule the world. Germans believe that Soviet manipulation of the Berlin crisis is designed not only eventually to remove the Western presence and guarantee from West Berlin, but also to create the possibility of intervention in West German affairs with the hope that through the instrumentality of peace treaties, disengagement schemes and the like, a neutralized Germany can be created. It is within this context that German opinion received with considerable touchiness and hypersensitivity, during the early autumn, U.S. pundits' and others' comments which suggested that the U.S. was interested in achieving with the USSR a European settlement based on such concepts as disengagement, zones of arms limitation, denuclearized zones, and/or zones of inspection and control. While there were denials of any such U.S. intent, it is nevertheless clear that fears that such ideas were being considered in the U.S. government bore weight in German government and other circles. For this reason, among others, the Federal Republic directed its diplomatic efforts during the autumn of 1961 toward confining negotiations with the Soviets to the narrowest base possible, in fact to the question of Berlin access alone. It sought to prevent the West's advancing any negotiating package in future negotiations with the USSR on Berlin which would include European security proposals. Simultaneously German government quarters were concerned that the U.S. emphasis on the buildup of conventional forces in connection with the Berlin crisis connoted a basic and questionable change in U.S. strategic thinking. This emphasis was regarded as suggestive of U.S. unwillingness to use nuclear force should the Berlin crisis eventually require and as a weakening of the credibility of the Western (U.S.) nuclear deterrent.

Despite some doubts, the German government accepted the basic diplomatic and military strategy devised by the U.S. to face the Berlin crisis. It firmly stated that it agreed with the U.S. on most substantive matters at issue in establishing a Western negotiating position. After the Rusk-Gromyko conversations, which the Germans interpreted as the opening of negotiations and regarded as suggestive of Soviet interest in European security schemes, they became again apprehensive because of putative U.S. interest in reducing the military confrontation in Europe. As the Government position evolved on the essentially defensive concept and tactic of narrow negotiations, criticism developed in the opposition as well as in the government party against this idea. It was equated with abandonment of the traditional classic goal to which the Allied Powers were also committed: i.e. of German unification and a European settlement providing security for all continental nations. Moreover, after Chancellor Adenauer's visit to the U.S. in November, it was thought that he had agreed that a possible change in Berlin's status might be negotiated with the Soviets as part of a modus vivendi on Berlin. This, too, was attacked, particularly by the SPD under Brandt's leadership, but also by other leading politicians as a posture which might

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result in three Germanies rather than two, which would contribute to a status quo minus in Berlin and in Germany as a whole, and which would make the long run viability of West Berlin impossible to sustain.

Events of the year increasingly demonstrated that the concept of eventual reunification cannot be abandoned; it plays too important a part in the German national psyche. While politicians and political observers will generally agree that reunification is not regarded by most people as a realizable goal now, there is nevertheless a natural emotional impulse and national conscience that demands eventual reunification. Abandonment of such a goal would be regarded as the grossest incompetence, if not treason, for a German government within the limitations of current political realities. This fact limits the government's maneuverability in seeking to participate responsibly with its Allies in any resolution of the Berlin problem. The same might be said about any formal recognition by treaty arrangement of the Oder-Neisse line, although it would probably be politically feasible to make declarations on the non-use of force to change boundaries pending the eventual solution of the German problem as a whole, as a part of arranging a modus vivendi on Berlin. Thus the maneuverability of any German government, apart from the inherent contradictions which may exist in the current government coalition, is restricted by internal political considerations relating to Germany as a whole.

The dilemma confronting a German Government is that on the one hand it must seek an acceptable resolution of the Berlin problem short of war; on the other, it must meet the German desire for eventual reunification in a defense and security system guaranteeing the German Federal Republic against Soviet communist pressures. German diplomatic efforts reflect this dilemma. They are directed toward confronting the Federal Republic's Allies, particularly the U.S., with the same dilemma. The German inevitably wishes to bear a larger measure of responsibility for his country's security, but at the same time he knows that both the capacity and the responsibility of safeguarding European security are in the hands of his Allies. He says Berlin is constitutionally part of the Federal Republic, but expects his Allies and principally the U.S., on the basis of occupation rights, to defend it against Soviet pressures. He thus simultaneously looks in two directions. While he wishes a resolution of the Berlin problem, he fears that the costs will be too high and at the expense of German national interests. It may be anticipated therefore that the German government will, while sincerely supporting negotiations with the Soviet Union on the Berlin problem, look to the Franco-German bilateral relationship as re-insurance against suspected other tendencies (attributed largely to British influence) to oblige the Federal Republic to pay too high a price for a Berlin settlement. In this atmosphere, the Germans will continue to press for negotiations on a narrow basis, limited to largely defensive tactics while emphasizing that no security measures should be undertaken in a narrow European context, but be world-wide in application. These would fit into a general and controlled disarmament concept which the Government, under the

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Chancellor's leadership, would argue is only possible if political tensions are diminished. Measures confined to Europe would be regarded as discriminatory toward the Federal Republic and contributory in the long run only to the Soviet objective of achieving a neutralized Germany.

In 1962 we may anticipate that the Federal Government will continue responsibly to associate itself with its Western Allies and particularly the U.S. in seeking a negotiated settlement on Berlin while building up its armed forces. At the same time, it cannot be expected to produce any new or stimulating concepts on how to resolve the problem. Its posture will be both substantively and tactically defensive because of its fears about its Allies going too far and causing the Federal Republic to pay too high a price for a modus vivendi on Berlin. It will probably find a certain relief in French efforts to take a firm and intransigent line vis-a-vis the Soviets, and will continue to look with apprehension at supposed "soft" British influence on the United States, as well as at new strategic concepts which it fears might weaken the Federal Republic's security by suggesting Western unwillingness to use nuclear weapons in defense of Western Europe.

B. Security and Rearmament*

During the first eight months of 1961 developments in the defense field proceeded more or less on schedule but without a notable sense of urgency on the part of the Federal Government. In the last third of the year the Bundeswehr buildup was sharply accelerated as a result of the Berlin crisis and the completion of the election campaign.

Two aspects of the acceleration stand out especially: the strengthening of the manpower structure of the Bundeswehr and the proposed increase of the defense budget for GFY 1962 to DM 15.6 billion (DM 4.4 billion over 1961).

The strengthening of the manpower structure is being accomplished by the interim retention in service of draftees and long-term enlistees beyond their normal release dates (and the recall to active duty of several thousand reservists), and by the introduction into the Bundestag of a draft law to extend the period of compulsory military service from 12 to 18 months. The quantitative effect of the interim measures has been immediate, i.e., an increase in the strength of the German forces to over 360,000 (as compared with 291,000 in January 1961). The forces total strength will rise to about 375,000 with the induction of the January 1962 draftees. The qualitative effect will become apparent more gradually as the Bundeswehr is enabled to meet its requirements for technicians through the lengthening of service.

*POL:JStarkey

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The increase of the 1962 defense budget -- originally set at about DM 13.5 billion but now proposed as DM 15.6 billion -- will, if approved, provide the financial backing for the accelerated expansion and modernization of the Bundeswehr. In anticipation of the budget increase, the Ministry of Defense greatly expanded its procurement of conventional equipment. Government-to-government orders placed in the U.S. alone reached over \$600 million in 1961, as compared to a previous annual level of approximately \$250 million. While total German procurement did not increase pari passu, the increase in orders from the U. S. represents a sizable step forward in the buildup of the Bundeswehr. The practical effects, however, will be felt only over a long period ~~because~~ because of the waiting periods for delivery of many items.

In addition to these major steps, various lesser measures were taken to improve the Federal Republic's defense. These include the enactment of a Federal Requisitions Law (Bundesleistungsgesetz) permitting the Federal Government to requisition certain services and property in an emergency and to take preparatory actions in advance, the transfer of the defense construction division from the Federal Ministry of Economic Property to the Ministry of Defense in an effort to speed up both NATO infrastructure and national defense construction projects, and the obtaining of authority (from WEU) to build eight destroyers up to six thousand tons.

Despite these advances, several problems remain -- apart, of course, from securing adoption of the proposed budget and enactment of the military service extension law. These include Emergency legislation, the need for strengthening of the German logistics system, and the need to acquire additional training areas. With respect to emergency legislation, the new Interior Minister, Hoecherl, is publicly pressing forward, has seemingly accepted the need to obtain SPD acceptance of any proposed law (because of the two-thirds majority requirement for legislation amending the Basic Law) and has begun exploratory talks with the Opposition.

Limited progress was made through bilateral U.S.-FRG negotiations (cf. II A below) in developing solutions to some of the more pressing German logistics problems. Nonetheless, this continues to represent a major weakness in the German defense effort because of both internal difficulties (failure to develop an adequate logistics organization and to procure war reserve stocks) and external obstacles (difficulty in obtaining depot space, etc. abroad). Further progress will depend in large measure on German willingness to spend the required sums and on Allied (mainly French) willingness to make facilities available to the Bundeswehr.

While no decisive action was taken in 1961 with respect to training areas, small gains have been registered, e.g. continued and increased German use of training areas in France and the UK and efforts by the U.S. Forces in Germany to increase their sharing of U.S.-controlled areas. The severe land shortage in the Federal Republic sets limits to the actions which can be taken to alleviate this problem, at least within the present terms of reference (i.e., without resort to use of land in Spain, etc.).

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C. Nuclear Weapons and NATO Strategy

German attention to the achievement of established NATO goals, seen in the buildup of German forces, did not divert the Federal Government from its interest in the future pattern and evolution of Western defense strategy. Defense Minister Strauss continued to point out the need for all members of the NATO Alliance to be treated equally and to have access to nuclear weapons delivery systems, even though control of the warheads would, by law, continue in American hands. At times the latter point was badly fuzzed, and impression emerged of hopes, in at least certain circles, that the United States would agree to share all aspects of its atomic monopoly with its Allies.

Efforts were also made to draw a distinction between tactical and strategic nuclear weapons. Here the contention was that modern military technology required that all forces, unless they were to become mere cannon fodder, be equipped with tactical nuclear weapons. German theorists argued that this was the only effective defense against Soviet numerical superiority and that it need not precipitate all-out nuclear war. Defense Minister Strauss strongly supported this point of view, which was heavily played up the first half of the year but subsequently became subordinated to Germany's interests in making NATO a fourth nuclear power.

The German press likewise devoted considerable attention to the proper balance between nuclear and conventional weapons and to the best way to keep the West's nuclear deterrent adequately "credible." Public as well as official interest was stimulated in early spring by persistent rumors, widely reported in the press, that the United States was considering a major shift in strategy which would place first priority upon conventional weapons to improve the capacity of the Alliance to meet certain types of limited action (thereby raising the threshold at which nuclear weapons would be committed) and which might be combined with proposals for a denuclearized zone in Europe.

German interest has developed along two lines:

First, the Germans are eager to build up their own nuclear delivery systems on the most modern basis. For the present, they are satisfied to have control (of warheads, either strategic or tactical) remain with the United States. This is a reflection of German government conviction that the effective defense of Western Europe and particularly Germany may require virtually immediate use of nuclear weapons, at least tactical ones. The Government thus remains strongly opposed, on principle, to any suggestion of denuclearized zones or of disarmament proposals prohibiting the further dissemination of nuclear weapons. American explanations of possible advantages in such arrangements, in carefully defined circumstances, have had little positive impact. At the same time the Federal Republic urgently wishes attention to be given to the development of NATO as a fourth atomic power. It was disappointed that the American Polaris offer of December 1960

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was not followed by concrete proposals. Germany favors the development of some formula giving all NATO members, or at least those directly affected by any prospective aggression, a voice in determining the moment when nuclear weapons will be used. Here German theorists have in mind a strategic nuclear strike against the aggressor's homeland.

These lines of thinking have posed problems. Germany's reputation still suffers from the taint of Nazi militarism. A strong German initiative, particularly in this tense period, would undoubtedly be misunderstood. Consequently the German campaign has not been particularly overt, except with respect to so-called tactical nuclear weapons, though there is little question where the Germans officially stand in these matters.

Internally, important differences of opinion remain on German defense strategy. The Socialists, while fully accepting the need for the United States to keep pace with the Soviet Union in the nuclear field, oppose any proliferation of nuclear capability. Consequently their views on the desirability of making NATO a fourth atomic power are still unformed. They also have manifested no enthusiasm for equipping the Bundeswehr with tactical nuclear weapons.

The German Government, however, with Defense Minister Strauss as its leading spokesman in this area, makes no secret of its reasoning that the only way in which Soviet aggression can effectively be met in Europe is by virtually immediate resort to nuclear weapons, at least on the tactical level. Doubts have publicly been expressed as to the willingness of the United States to commit nuclear weapons at the appropriate stage in hostilities to ensure the desired results. Suspicions exist, and the press has charged openly that America's own vulnerability to attack may lead it to hesitate at the critical moment in deciding to commit nuclear weapons, with potentially disastrous consequences for the security of its Allies, particularly Germany. The general public appears to acquiesce in these views.

The deepening Berlin crisis gave renewed impetus to the German conviction that it was not enough to strengthen the conventional capacity of the Western Alliance. As the year drew to its close, German representatives at the NATO Ministerial meeting urged the Alliance to come to grips with these critical issues of strategy and repeated that a practical way to give NATO its own nuclear capability must be found.

D. The Common Market*

In the past year steps toward European integration, both political and economic, were materially advanced. The Federal Republic played a leading role in the efforts to expand and improve the methods for economic cooperation and to begin the even more complicated task of building a basis for eventual political union. The successful operations of the institutions

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of the European Community at Brussels owed much to German initiatives and loyal fulfillment of existing obligations, not to mention the leadership in the EEC supplied by a German national as Chairman of the Commission, Dr. Hallstein.

The work and usefulness of the European Economic Community (EEC) stimulated the attitudes of other European countries. This development reached its peak in the summer when the United Kingdom and Denmark applied for membership in the Community of the Six, followed later by Ireland. Negotiations have since slowly gotten under way to work out a basis for expansion of the Common Market which may take into account the desire of countries such as Denmark and the United Kingdom for full membership. Subsequently, the association of other European states, such as Austria and Switzerland, will have to be considered. Germany has made plain from the outset its support for this expansion and its readiness to seek to work out solutions to the individual problems involved so long as these do not compromise the basic goal of real European unity.

As the year ended, the Six were engaged in difficult negotiations looking toward the development of a common agricultural policy. Despite serious domestic obstacles in both Germany and France, these promised eventual success. The importance attached by the Federal Republic to these negotiations was demonstrated by Economic Minister Erhard's personal participation at the direct request of Chancellor Adenauer. Success in this area should help clear the way to progress elsewhere, including the development of equitable trade relations with other areas, not excluding the United States.

The Coal and Steel Community and EURATOM have functioned effectively, their operation now being accepted as routine by the participating states.

It has been suggested that it might be desirable to work out a basis for combining all existing European institutions under a single executive body. This project has been strongly supported by the Netherlands; the German attitude has remained rather reserved, apparently reflecting a natural concern that no steps now be taken which could jeopardize the existing efficiency and success of community institutions.

A beginning has also been made, as discussed elsewhere, toward the development of a modest European political union which from the outset might cover certain aspects of cultural, defense and foreign policy. Ultimate German aims are high, but the Germans realize also that for the present the relatively nationalistic French viewpoint means that progress will be determined by the lowest common denominator and consequently will be gradual, since at the beginning unanimity will be the basis of operations. The Germans see problems for themselves, even in such apparently non-controversial areas as the cultural field where the authority of the Laender is decisive. On the defense side, Germany's commitment to NATO is overriding, and the Germans approach this area very cautiously, but emphasize their readiness, within a strictly European grouping, to take appropriate complementary defense measures. The two main German objectives in the

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future European political union now seem to be provisions for an independent Secretary General and for an amendment procedure to become effective two or three years after the treaty comes into force, which would permit the conclusion of arrangements for a tighter political union, including the possible application of majority rule in certain limited areas.

The Council of Europe and the European Parliament at Strasbourg have continued to provide useful platforms for fundamental policy discussions, both in support of existing European institutions and with regard to future developments. They have also served as a main way to keep the British abreast of European integration.

In judging the longer range prospects of European integration, it is noteworthy that the Europeans themselves quote as a virtual slogan the words, "condemned to success," which characterizes very well the tremendous drive behind the whole movement. Moreover the Germans are already looking beyond the present targets. Defense Minister Strauss has begun to talk about an eventual Atlantic community and is also urging the desirability of multi-national, i.e., NATO control of the nuclear deterrent, all of which can be considered straws in the wind, provided, of course, that the process of European integration, now well under way, is not interrupted.

E. Development Aid*

By virtue of Benn's new Foreign aid program the Federal Republic in 1961 became one of the principal benefactors of the underdeveloped countries. The German government committed itself to almost \$1.5 billion in long-term loans, allocated for development projects in 31 countries. Close to half of that is to be expended by the end of 1962, plus more than \$300 million for technical assistance and multilateral aid agencies. Bonn officials, acknowledging the decisive lead of the United States in this field, pride themselves on the fact that Germany now comes close to matching the United Kingdom and France in percentage of GNP devoted to development aid, although Germany has far fewer attachments to the new states that have emerged from colonialism and the past year was the first full year of operation of the program on a long-term, low-interest basis. Actual disbursements in 1961 totalled about a quarter of a billion dollars. Since the Federal Republic's defense expenditures are considerably lower than those of its major allies, it could afford to do substantially more.

Apart from the economic details and impact of the program, the political potentialities of foreign aid have increasingly caught German attention. When the Federal Republic embarked on the new program, largely under pressure from the developing countries and the United States, it did so with no particular enthusiasm or purpose, beyond the vague recognition that having the money, it was expected to bear a larger share of the Free World's aid responsibilities, and that the "White Man's Burden" might turn out to be the White Man's best public relations asset.

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In the course of the past year both government and public opinion have been struck by the paradox involved in handing out money to recipients who respond with overtures to the East German government or who otherwise identify themselves with Soviet anti-German propaganda in political questions of most interest to the Federal Republic. Thus, without attaching positive political objectives to their economic aid, the Germans tend to feel that beneficiaries might at least refrain from working against them, and in various ways the Federal Government has sought to make the point clear. In the new Government's inaugural declaration of November 29, after stating that aid would be provided "as heretofore, without political strings", the qualification was added: "We cannot afford to disregard the fact that the German people would not understand if we were to enter into development partnerships with states that do not recognize our right to self-determination." After Nkrumah supported the Soviet position on the German question, German Ambassador Lueders in Ghana was pleased to report assurances from Foreign Minister Adjei that Ghana would not recognize East Germany because of the importance of Ghana's economic relations with the Federal Republic. This amounts to a kind of economic corollary to the Hallstein Doctrine (no diplomatic relations with states - except the USSR - that recognize East Germany). In the case of at least one aid agreement the Foreign Office is planning to include a phrase to the effect that aid is being given in consideration of the continued "friendly" relations between the two countries (the Hallstein Doctrine characterizes recognition of the East Zone government as an "unfriendly" act). By introduction of such a phrase into aid agreements the Federal authorities hope to put a recipient country on notice that the latter's political positions may be a factor in the German's aid allocation. In any event the Federal Government will reserve for itself final decisions as to where and in what amount loans will be made.

So far Bonn has enforced its political reservations flexibly, with no automatic cut-off of aid for offenses against "reunification aspirations". For example, when Mali joined the Communist Bloc and Cuba in their UN position that the principle of self-determination was not applicable to the German question, the Federal Government neither cut off aid nor demanded a public retraction. It did, however, promptly arrange for the Mali Foreign Minister to visit Berlin and see for himself how Germans were being forcibly deprived of their right to choose their place of residence and their form of government.

F. Labor*

At the end of the year, German labor finds itself in a dilemma. On the one hand, it is confronted with the necessity of cooperating with the Federal Government in meeting the Communist challenge and withstanding intensified Soviet pressure against Berlin, a course which necessarily requires certain "sacrifices"; on the other, it is apprehensive that the

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New coalition Government will follow a "socially reactionary" and anti-labor course. Labor's suspicions toward the FDP as a coalition partner in the new Federal Government may become a major obstacle to improvement in union-government relations.

West German unions reacted immediately to the Berlin events on August 13, and mobilized opinion within the entire working force in the Federal Republic for the defense of Berlin. They obtained the support of the International Confederation of Free Trade Unions (ICFTU) for a worldwide publicity campaign and also provided material assistance to Soviet Zone refugees, although neither direct nor indirect encouragement was received from the Federal Government. The failure of Chancellor Adenauer and responsible members of his Cabinet to consult with representatives of the German Trade Union Federation (DGB) on the Berlin crisis evoked a good deal of resentment in labor quarters.

West German unions congratulated themselves on the September 17th election results, since the CDU/CSU lost its absolute majority, while the number of "pro-labor" (SPD) deputies was increased. Their elation was shortlived, however, when the CDU/CSU formed its "small coalition" with the FDP which destroyed prospects for a pro-labor "black-red coalition" or for an all-party government which was advocated by the SPD, the major part of the CDU labor wing and by the unions.

Labor has painted its future prospects under the new CDU/CSU/FDP coalition government in gloomy colors, claiming that the "secret" coalition agreement between the CDU/CSU and the FDP will prevent development of "progressive" labor and social legislation in line with union proposals. The DGB asserted that the Government declaration of November 29 reflected management views, ignored labor interests and even threatened to infringe upon freedom in collective bargaining. Labor is particularly apprehensive lest the Government coalition seek to push through regressive legislation that would hamper its activities. Although the responsible DGB leadership realizes that the present critical foreign situation requires sacrifices, it fears that the new Federal Government may try to shift additional burdens to the shoulders of the working class while sparing business and industry. It therefore interprets government warnings that it may become necessary to restrict the autonomy of the collective bargaining parties as a direct challenge to the free labor movement. Labor denies the "neutral character" of the top-level "wage policy advisory board" advocated by the employers associations and is strongly opposed to enactment of legislation which would make labor-management conciliation boards mandatory for all industries. It fears that such legislation in the hands of an anti-labor administrative machine might eventually be used as a means to bring the trade unions under government control. In the Embassy's view there is no great likelihood that the Federal Government will enact such legislation. The Government obviously realizes that it cannot afford labor unrest in the present critical situation.

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In the past the CDU labor wing has served as a catalyst in relations between the Federal Government and the DGB. Despite the obstacles to a "liberal" social policy allegedly laid down under the coalition agreement, the "Christian-Socialist" spearhead of the labor wing, the CDU Social Committees (Sozialausschusse), will probably continue to press for realization of its social program, which is largely in line with union principles. Cooperation between SPD and CDU trade unionists in the DGB has improved following withdrawal from the DGB in the fall of 1960 of the "Christian Social Fellowship" (Christlich-soziale Kollegenschaft - CSK), a minute but militant splinter group. The DGB leadership was cautious in its conduct of the Bundestag election campaign and sought to avoid an open political "provocation" of the CDU despite the close community of interests between the DGB and the SPD.

Sub-surface fighting within the DGB between the protagonists of a moderate economic policy (along the lines of the SPD's "liberalized" Bad Godesberg program) and the adherents of orthodox Socialism, continued during 1961, with the "moderates" gravitating around the president of the DGB Construction Workers Union, Georg Leber, who was re-elected SPD Bundestag deputy, and the "orthodox" elements following the lead of the powerful president of the DGB Metalworkers Union, Otto Brenner. Both groups avoided an open "clash" in order not to jeopardize the chances of the SPD in the Bundestag elections. It is not yet clear to what extent the SPD success in the elections (which the party attributes to the "liberalized" Bad Godesberg program and the far-reaching renunciation of socialization principles) may influence the internal DGB debate on a revision of its own 1949 Basic Policy Program (calling for socialization of basic industries) which must be brought to some conclusion by the fall of 1962 when the next DGB congress takes place.

Communist infiltration in the unions and shops remained a latent threat during 1961. Subversive activities were concentrated on the works council elections held in all West German enterprises with more than 5 employees in the spring of 1961, but failed to produce any marked success. The unions, partly in close cooperation with plant managements, kept a careful watch on Communist penetration efforts and did not hesitate to expel fellow-travelling members and functionaries when evidence of subversive contacts was uncovered.

Labor market developments during 1961 were characterized by a further decrease of registered unemployment and an increase in the number of registered job openings. The ratio of 95,000 unemployed to 573,000 job openings (recorded on September 30, 1961) reflects the tightness of the labor market. Despite large-scale importation of foreign labor (the total number of aliens employed in the Federal Republic rose from 326,000 on September 30, 1960 to 545,000 on September 30, 1961) the gap between manpower supplies and demands could be narrowed only slightly; because of their limited skills, job offers to aliens amounted to less than 8 per cent of the total registered job openings. Viewed as a whole, the situation of over-employment is expected

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to continue; despite a slight decline that appears to be developing in certain regional industries (coal, steel, shipyards). A moderate slow-down of the economic boom will affect union collective bargaining policies rather than the overall labor market situation. Other factors which indicate a continuing manpower shortage are: the unbroken upward trend in major branches of the German economy; the virtual drying up of the refugee movement from the Soviet Zone following Ulbricht's action on August 13; the contemplated extension of compulsory military service from 12 to 18 months; the further reduction of the regular workweek in some major industries which will become effective during 1962 as a result of collective agreements; the shortage of housing for aliens which inhibits further large-scale importation of foreign labor.

Labor's collective bargaining gains during 1961 were greater than in previous years. Pay increases negotiated for over 14 million (or more than two-thirds of the total employed wage and salary earners) averaged 10 to 10.5 per cent, which is substantially more than the estimated increase in overall economic productivity. Although the tight labor market will continue to favor union bargaining strength in 1962, uncertainties regarding cyclical developments in certain industries and government warnings to prevent wage increases from generating inflationary pressure, may tend to stiffen employer resistance to union wage demands. Labor's over-all gains may thus be somewhat lower than in 1961. If wage gains lag noticeably in the coming year, or labor should become convinced that they will be the subject of discriminatory legislation, the stability and absence of strikes which have characterized the labor situation in recent years could be replaced by a period of relative labor unrest. In his year-end statement SPD Chairman Ollenhauer indicated that the unions could count on strong SPD support if they bargained hard for wage increases. It was a "mockery", he said, to admonish employees to exercise restraint in their wage demands in view of the unjust share of the wealth from German economic growth which heretofore had been taken by big business.

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III. FOREIGN RELATIONS

~~DECLASSIFIED~~A. Relations with the United States*

Relations between the Federal Republic and the United States remain decisive for the German Government. The Federal Republic will continue to do all it can to strengthen and cultivate these relations, irrespective of the fact that it will concurrently also seek to weld its interests more closely with those of the Western European Community, especially France.

A few years ago Germany was in many respects an economic and political dependent of the United States. That relationship has substantially changed. On the economic side, Germany's prosperity has provided almost phenomenal stability leading to considerable flexibility in its economic potential. On the political side, although the NATO alliance and the continued presence of United States forces in Europe remain crucial to German security, the Federal Republic acts increasingly on the basis of its own convictions, although to a large extent these continue to coincide with those of the United States.

Until nearly the end of the 50s Germany's major goal was to obtain acceptance as an ally and equal partner, and in this effort it had to depend on, and court the endorsement and support of, the United States. In the process the two countries built up a capital of reciprocal good will, close personal contacts and mutual confidence, upon which both can continue to draw. Only in relation to its security can the Federal Republic still be said to be a dependent of the United States, although its forces buildup gives it a legitimate voice of its own in councils of the Western Alliance, which is beginning to be heard more and more.

At the beginning of the year there was a period of initial uncertainty and strain in Germany's attitude toward the United States. The Germans had reposed great confidence in President Eisenhower and his administration and felt it had done much to bring about Germany's full acceptance in the Western European Community and in NATO. The American election campaign, particularly its discussion of how best to meet the Soviet problem, was interpreted in some quarters in Germany as implying a possible reorientation in American thinking. The new President and Secretary of State were not well known, and the Germans nervously followed the speculation of the American columnists in the hope of discerning the pattern of coming American policy.

It was not until the Chancellor made his first visit to President Kennedy in Washington and returned, assured that the basic direction of American foreign policy remained unchanged, that the tension and uncertainty eased. Nevertheless some disquiet remained, fed by garbled reports about the prospect of basic shifts in American strategic thinking to place greater

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[reliance on conventional weapons and about ways to produce an atmosphere in which constructive negotiations with the Soviet Union might prove possible. A further sensitive point lay in German fears of the possible development of a new wave of anti-Germanism, occasioned by American interest in Shirer's book on the Third Reich and in repercussions from the Eichmann trial.

As the year wore on there was evidence of growing German confidence in the policies of the new U.S. administration, particularly after the Khrushchev-Kennedy meeting in Vienna, which seemed to eliminate the possibility of any immediate Soviet-American entente. Preoccupation with the German elections in September, coupled with the sharpening of the Berlin crisis after August 13, tended to broaden German horizons of thinking, but doubts emerged that the United States might be tempted into negotiations to achieve a Berlin settlement during which other proposals, such as Disengagement, might be put forward to German disadvantage. In this connection, some Germans hinted that such policies might provoke Germany into going it alone, perhaps not to the extent of seeking an independent accommodation with the Soviet Union but at least within a Franco-German context. Despite these undercurrents virtually all quarters in Germany continued to look in the first instance to the United States and to the continuation of close cooperation with it as the cornerstone of German foreign policy.

On the economic side fruitful German-American negotiations took place, such as those undertaken by Under-Secretary Ball and those involved in the Strauss-Gilpatric conversations in October. Most of these negotiations were linked directly with the increased German military buildup. They have laid the groundwork for improved cooperation between German and American forces in Europe and are helping the United States to deal with the balance of payments problem.

The extensive discussions which culminated in the Strauss-Gilpatric talks were conducted throughout 1961 by U.S.-FRG working groups on FRG procurement in the U.S., joint U.S.-FRG use of logistics facilities, and the conclusion of a settlement of the U.S. reversionary rights to grant aid (Nash List) materiel.

A Memorandum of Understanding signed by Messrs. Strauss and Gilpatric provided that the FRG would undertake military transactions of direct benefit to the U.S. balance of payments sufficient to offset U.S. military transactions of benefit to the FRG balance of payments, in return for U.S. participation in a cooperative logistics system. The bulk of the German military transactions will consist of procurement from the U.S., although there will also be limited FRG contributions to the capital and operating expenses of the cooperative logistics system. The U.S., in turn, has committed itself to working with the FRG in weapons research and development, providing certain procurement services, furnishing depot supply support and depot maintenance services in Europe, selling war reserve stocks stored in Europe, sharing of storage facilities, and increasing joint use of local training areas.

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Pursuant to this overall agreement, on German initiative, an exchange of notes took place between the Embassy and the Foreign Office amending the Military Procurement (MSMS) Agreement of October 8, 1956, to provide procurement services for so-called "non-standard" military equipment. Draft agreements for discussion in early 1962 are also being drawn up to implement the other facets of the system of cooperative logistics.

It is generally recognized that the implementation of the proposed agreements on a system of cooperative logistics will not immediately resolve the Federal Republic's logistics problems. However, this program if accepted by other affected Allies--particularly France--and if carried to its logical conclusions, could achieve a bilateral integration of national logistics systems to a degree previously unknown. For example, the U.S. commitment to supply spare parts and other supplies from its depots in Europe will provide a powerful incentive to the FRG to achieve and continue standardization of its equipment with that of the U.S.

The United States continued its efforts to stimulate the Federal Republic into taking a greater part of the burden of economic aid to the newly independent countries, particularly in Africa. *Inter alia*, through the Development Assistance Group, Germany has been persuaded to increase its contribution to various joint economic programs, and its own officials have visited a number of countries in Africa and Asia to negotiate appropriate bilateral programs. It remains an uphill struggle in the sense that Germany has not yet agreed to assume a share in these economic programs commensurate with its financial resources and technical abilities.

B. Relations with other NATO Allies*

The Federal Republic's policies in Europe continue to be strongly influenced by the so-called Bonn-Paris Axis. Chancellor Adenauer and President de Gaulle recurrently refer to the close, cooperative Franco-German relationship as the key to European stability, though each approaches and interprets their association differently. Adenauer wishes to promote the development of a European community in which intimate relations between France and Germany provide an effective means of policy control and the eventual development of such a high degree of interdependence and integration within Western Europe that no one state can afford an independent course (as Germany's past adventures to dominate Europe). French efforts, on the other hand, often have reflected almost exclusively de Gaulle's own ambitions to create a powerful group within the Alliance which France could lead. At this early stage in the evolution of the Franco-German relationship and of European integration, these two approaches are not mutually contradictory, but future difficulties cannot be discounted.

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For the time being, Germany considers that it can best contribute to the steady development of economic and political integration in Europe by moving in close harmony with France. This undoubtedly led the Federal Republic, after initial hesitation, to accept the French position on first steps toward a political confederation of the Six Western European countries. During 1960 the Germans had held firm in their opposition to the establishment of a loose European confederation, but when it became clear that no other basis for agreement existed, the Federal Republic at the Godesberg meeting in July took the lead in bringing about agreement on an ambiguously worded declaration which spoke only in terms of confederation. Belgian and Dutch opposition was brushed aside, with vague promises of future improvements and with warnings that if this plan was not accepted as a beginning, there was no prospect of anything else in the direction of political union.

In strictly bilateral problems Franco-German cooperation flourished. German troops were again able to use training areas in northern France. German scientists worked closely with their French colleagues in matters relating to nuclear energy and outer space. There were hints of close association in relation to the development of arms.

Further evidence of Germany's desire to keep in step with France appeared in the context of the discussion within the Alliance of possible negotiations with the Soviet Union over Berlin. The Federal Republic sought actively to develop a common ground and in particular to mediate apparent Franco-American differences. However, even in these efforts, the Federal Republic made clear that it would not sacrifice good relations with its other allies to meet French objections. If Germany should become convinced that the United States was prepared to pay a price for negotiations with the Soviet Union which would run counter to Germany's own interests, it has a reinsurance in the French connection, which it could seek to develop into a kind of "third force."

British-German relations remained on a relatively even keel. Although there have been a number of recurrent difficulties, they were less in 1961 than in the preceding year, and such problems as there were did not affect the underlying pattern of friendship and cooperation. Such problems as a possible German contribution to troop costs for the British Army of the Rhine, the potential impact of Britain's entrance into the Common Market, press and public manifestations of the apparently innate broad British prejudice against Germany, and Germany's concern about possible British tendencies to appease the Soviet Union were troublesome but not disruptive of good relations.

The Federal Republic fully recognizes that, next to the United States, the United Kingdom enjoys a key position in the Western Alliance and, in most respects, exercises commensurate international influence. Consequently, German policy continues to concentrate on building a sound basis for future

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Anglo-German relations, a process to which such events as the Chancellor's visit to London and Macmillan's visits to Bonn have contributed. German support for the Blue Streak rocket is a basis for a European launcher Development Organization is an incidental by-product of this German policy conclusion.

Belgium and the Netherlands have been attentively cultivated. The Germans have been somewhat impatient of the complaints of both countries that France and Germany are seeking to dominate the Six, but at the same time have sought to meet these fears through various compromises.

Relations with the other NATO partners remain good. Germany was sympathetic toward Portugal with respect to the problems in Africa, and more recently in Goa. There still are indications that Germany would like to see Spain become a member of NATO and if not, at least become associated more directly with Western military planning, a view clearly related to Germany's own military needs. The Greek and Turkish allies are recognized to have their economic problems, in which the Federal Republic has indicated its willingness to help, though nothing much concrete has yet developed.

Strains between Germany and Denmark which were reflected in the problems relating to the organization of the Baltic Command were largely eased in late December when agreement was finally reached on terms which met Danish sensitivity. Strauss's ability to visit Norway to complete certain mutual defense arrangements without particular difficulty, despite the residue of anti-Germany feeling, was further evidence of improved understanding between Germany and Scandinavia.

Thus, at year's end, the general atmosphere within the Western European group was favorable. While many difficulties undoubtedly lie ahead, particularly those relating to political integration, the means for working together definitely improved during the year and the general climate seemed easier. Germany moved slowly and cautiously at times, but the net effect of its caution appears to be reflected in increased sympathy among the Western Europeans for Germany's own difficulties and support for the Federal Republic's position in relation to Berlin and eventual reunification.

C. Eastern Policy of the Federal Republic (Exclusive of Berlin)*

Since January 1961 German-Soviet relations, the major determinant of FRG-bloc relations in general, have oscillated from good to bad to somewhere in between at present, but still fairly low on the scale. At the beginning of the year, relations were good, but in the months following June 4, they deteriorated to perhaps the lowest level of the past decade.

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Toward the end of December the USSR abruptly changed its "line," and began what may possibly develop into the most assiduous cultivation of German opinion since 1952, unless steps taken in connection with Berlin hopelessly sour the situation again.

The Federal Republic's Eastern policy is affected by two main considerations: first, the necessity of subordinating its Eastern policy to its national interests in Berlin and East Germany; and second, the USSR's persistence in making the FRG a main target of propaganda. The latter tactic serves a variety of Soviet purposes, and in general has long supplied the dynamics of a much larger European policy.

Other factors in West German policy toward the Soviets are either corollaries of the foregoing, as the Hallstein doctrine, or are of relatively lesser importance. Among the latter are: a) the traditionally substantial FRG trade with Eastern Europe; b) the desire of the FRG to ameliorate the position of German ethnic groups still located in East Europe; and c) the activities and revisionist demands of numerous German refugee and expellee organizations.

A kind of "era of good feelings" in USSR-German relations began in December 1960 and lasted well into 1961. The improvement was superficial, consisting largely of a lessening of Soviet anti-German propaganda. This lull may partially have been an outcome of the Soviet decision to defer new pressures on Berlin for an interim following the U.S. elections, to allow a "breaking-in" period for the new Administration. On February 17, the USSR submitted a note to the FRG on the subject of Berlin and a German Peace Treaty, which also conveyed a clumsy invitation to bilateralism. The West Germans left this note unanswered until August.

After the Soviet Berlin ultimatum of June, FRG-USSR relations deteriorated sharply. The FRG reacted to Soviet pressures by refusing to exchange ratifications of the three-year December 30, 1960, Trade Treaty (this renders uncertain the validity of numerous continuing trade and commercial transactions), by halting plans for a 1962 industrial exhibition in Moscow, by refusing to sign a cultural agreement with the USSR, and by tighter restrictions on travel of Soviet nationals to and within the FRG. The Soviets on their part, in addition to the steady succession of actions affecting Berlin and East Germany, developed their attacks against West Germany into a cornerstone of expanding foreign policy initiatives, resumed the personal attacks on Adenauer, and conducted "show trials" of German spies in the USSR.

FRG relations with the rest of the bloc correspondingly followed a downward curve.

For a time at the beginning of 1961 it appeared the FRG might achieve some institutionalized improvement of its contacts with Poland. Quasi-official explorations were made as to the possibility of opening consular

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or even diplomatic relations, and the FRG seriously prepared the groundwork for a favorable and long-term formal trade agreement which would have greatly assisted Polish development plans. The two projects foundered on the issue of the Oder-Neisse line and on the FRG's inability to absorb the requisite increased imports of Polish agricultural goods to permit an expansion of trade.

A new complication for Germany's contacts with East Europe was created by the GDR's imposition, on August 13, of the Berlin wall in the name of the Warsaw Pact. Since this move, the Germans have tended to view Poland as "just another satellite"; the FRG rebuffed a Polish trade overture in October, and is also "reviewing the desirability" of continuing a credit line to Poland of about DM 50 million annually.

FRG trade, the main part of its contacts with Eastern Europe, declined somewhat with Poland, Hungary, Bulgaria, Albania, apparently from various unrelated causes. Soviet and Rumanian trade increased during 1961.

The Belgrade Conference worked against German-Yugoslav relations, after it became apparent that Tito had endorsed many Soviet theses and had lobbied for their acceptance by neutrals. Since the Conference the Germans have denied credits to Yugoslavia and have "postponed" discussions for German investments in the country. Anti-Germanism has been stimulated in Yugoslavia by the recent Vracaric, Grabovac and Stuttgart Liederhalle incidents, the significance of which was inflated by inept handling of local German authorities.

The latest Soviet initiative towards the FRG began about December 20 with an almost unnoticed stoppage of extreme anti-German propaganda, and expressed itself in an unusual memorandum delivered to Ambassador Kroll in Moscow on December 27. The document reversed the customary polemics by blaming France, the U.K. and the U.S., instead of the FRG, for "maintaining tension", and proposed an improvement of Soviet-German relations on a "step-by-step" basis, promising attendant benefits to German business if it would exploit the "ocean for markets" in the East. Although expressed in Marxist categories and words, the memorandum was cleverly written to appeal to the broadest spectrum of German opinion. One of its most noticeable features is the absence of irritants: the text restates many traditional positions only perfunctorily, ambiguously, and with a noticeable deemphasis of the GDR.

Since Soviet vilification of Adenauer, Strauss and Heusinger seemed to be approaching a crescendo in mid-December, the abrupt change of beat at first confused both official and public German opinion. This confusion is not yet dispelled, although by mid-January 1962 a tendency towards alternative types of reaction became manifest. These variations of opinion so far relate to differing assessments of the Soviet memorandum, and are based on the circumstance that its language seems to sustain several possible

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levels of meaning. The initial Foreign Office reaction was, and remains, that the memorandum naively aims at separating West Germany from its allies without compensating advantages of reunification or freedom for Berlin. The Soviet approach must accordingly be discouraged. Minister of Defense Strauss has supported this view. In contrast, an increasing number of publicists and politicians from all parties are attracted by the speculation that the USSR may be genuinely considering a modus vivendi based on present alliances and interests, and that the memorandum in this sense constitutes a recognition of the reemergence of the FRG as a major world power. These persons are beginning cautiously to advocate utilization of the opportunity provided by the memorandum for German-Soviet talks, with a view to exploring whether any better modus vivendi is achievable, provided that the FRG is able to do so with the consent and advice of its allies. The Germans were struck by the fact that the memorandum closely coincided in timing with an apparent hardening of the Soviet position on Berlin in the Thompson-Gromyko talks. The thoughts of the receptive group run to the possibility that, should Ambassador Thompson's efforts fail, it should be the German turn in due course, if the Federal Government can be brought to take the initiative and no misunderstandings are occasioned among the allies (a point which the Chancellor will bear very much in mind).

D. Middle East*

The Germans do not quite have the missionary approach to their relations with the Middle East which they have in Africa; their attitude is one of deliberate caution, with the aim of encouraging a balance among the various forces of imbalance in the Arab world.

Caution is also the keynote with respect to loans for development aid. Before receiving a delegation to discuss aid, the Foreign Office methodically weighs every facet. Elaborate preparations, for example, preceded the negotiations with the Vice President of the UAR in Bonn this summer. A development aid program had been under consideration for years, the Euphrates Dam project had been surveyed and resurveyed by the Germans. Finally, after several postponements, Boghdadi arrived, reciprocating Vice Chancellor Erhard's visit of a year before. The result was a sensational announcement of a half billion mark loan which included the construction of the Euphrates Dam. In spite of a disagreement concerning the opening of an East German consulate in Damascus, the Federal Government felt that the time was favorable for a major gesture to Nasser. Although generally unenthusiastic about the Belgrade Conference a few months later, the Federal Government was gratified by the role of Nasser, who (in its estimation) was more responsible than anyone else for a relatively harmless resolution on Germany and Berlin and a general statement that self-determination was applicable throughout the world.

* POL:FDVreeland

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Again at the time of the Syrian revolt, the Foreign Office delayed recognition of the Kuzbari regime - in the face of the latter's repeated urgings - long enough to emerge with the continued confidence of Nasser, and nevertheless managed to maintain Syria's friendship.

A major problem for Bonn in the Middle East, as in other underdeveloped countries, is to preclude recognition of East Germany; as in the other areas, the Federal Government uses economic aid and exchanges of official visits to focus the interest of these countries on the German question. The Prime Minister of Afghanistan visited Bonn in 1961, but the Germans found it hard to interest him in any question other than his dispute with Pakistan; nevertheless, substantial aid to his country continues and reinforces Germany's traditional good will in the Middle East.

The Foreign Office understands that the interest of people in the Middle East is focussed on their own problems. Basic to Bonn's policy is the conviction of responsible Germans that problems in the Middle East - especially Arab problems - will have to find a local solution within the region itself. They consider this true of the many disputes among the Arab countries, as well as of the overriding problem of the area, Israel. The Federal Government reparation payments to Israel will continue until 1965; there is no thought of prolonging them, nor is a request to do so anticipated from the Israeli Government. Sometime in 1963 payments will have reached a point where they will all be going to pay off interest and principal on bank loans, and therefore the question of continued assistance to Israel under the regular development aid program has been raised by the Israelis and is being considered by the German Government. This and the question of whether Iraq in its present radical trend will recognize East Germany later in 1962 are considered by the competent officials as the most nettlesome Middle East problems facing the Federal Government at present.

E. Africa*

1961 opened with the Federal Republic well established as a diplomatic and economic partner of each of the independent African states. Hardly a week went by without the visit of one or two official delegations from these countries, usually seeking aid but often, as in the case of labor union and parliamentary delegations, simply desiring contacts with their German colleagues. The Presidents of Togo and Senegal as well as a sprinkling of Prime Ministers, Foreign Ministers, and other Cabinet level officials visited the Federal Republic and whenever possible they were taken to Berlin. Since August 13 the Foreign Office has arranged for four African Foreign Ministers or Deputy Foreign Ministers to see the Berlin wall and has found that they react with shock to this sight.

* POL:FDVreeland

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The long list of official German visits to Africa is headed by President Luebke who is making one of his rare foreign trips in mid-January 1962 to Liberia, Guinea, and Senegal; he plans a second series of state visits, including Togo, later in the year. In one way or another, since the subject is inevitably raised during any visit, each of these exchanges of delegations is related to the Federal Government's aid program. The overall amount of long-term development aid committed in 1961 for sub-Saharan Africa was close to one billion marks, out of a world-wide total of 5.5 billion. In Togo Germany is rapidly becoming a more important economic force than France. At the Tanganyika independence ceremony the German aid offer of \$9 million compared favorably with the United States' offer of \$10 million.

German activity in Africa is not confined to the aid program; a great deal of effort goes into educating the newly independent countries concerning the German question and Berlin. There have been substantial successes in this program. When the Prime Minister of the Congo, Adoula, spoke up at the Belgrade Conference to defend the Western position on Germany and Berlin, the West Germans realized that the efforts they had put into cultivating him and escorting him around the Federal Republic were paying dividends. The government declaration of November 29 pointed with pride to the fact that "twelve African states, recently assembled at Tananarive, passed a resolution objecting to the forcible separation of the Eastern part of Berlin and demanded an early solution to the German problem on the basis of self-determination". Herr von Brentano, in his first speech as leader of the CDU parliamentary group, expressed gratification for similar support given by African countries in the UN General Assembly.

The Foreign Office in planning its activities in Africa always bears in mind the two different factions into which the African nations are divided -- the radical Casablanca group and the moderate Monrovia powers. Its fundamental aims in dealing with these two factions are similar to those of the United States -- to give every possible support to the moderates while trying to promote friendship and influence with the radicals. For instance, not having to take a position on the Togo-Ghana boundary dispute, for which only the U.N. is competent, the Federal Government is demonstrating its general support of Togo by stepping up its aid program there and slowing down its assistance to Ghana.

So far there have been no noticeable failures in German policy toward the radical Casablanca states. The Foreign Office feels that it is sometimes advantageous to deal with these countries on a blunt and direct basis and it has had success in this way in keeping the Africans from recognizing East Germany by a combination of economic blandishments and diplomatic initiatives.

With the moderate states of Africa, the Federal Government's greatest success has probably been with President Olympio of Togo who has given outspoken support for German reunification on several occasions. The close

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relations with President ~~Idi Amin~~ of Congo have been mentioned above; they even survived the difficulties resulting from Katanga's purchase of five light Dornier planes which, after some modification, were used in bombing operations during the Congo internal strife. Less satisfactory have been the German relations with Cameroon which have more than once threatened to lead to an open break. A similar dispute over economic aid occurred in the Ivory Coast, but these are isolated difficulties in a general picture of fruitful and close relationships.

In 1961 there was a Foreign Office visit to Washington and a State Department visit to Bonn for discussions of African policy; these constitute first steps in the direction of closer coordination. An intensification of this cooperation should prove fruitful for both governments.

F. South Asia and The Far East*

German political relations with the countries of South Asia and the Far East tend to be much influenced by the particular country's attitude toward the East German "DDR". The major German interests in Asia are economic.

The reference to Asia in the Government Declaration of Policy of November 29, 1961, was perfunctory. This was in contrast to the explicit attention given to African and Latin American relations, and reflects, in part at least, the fact that interests in Asia do not in general have high priority in German policy, with the exception of India.

During the past year there has been increasing recognition that German economic policy, particularly as expressed in development aid, should contribute to the larger political interests of the free world. Out of a grand total of approximately 6 billion DM for long-term development credits, the Federal Republic has committed to South Asian and Far Eastern projects approximately $2\frac{1}{2}$ billion DM. India with over 1 billion, 8 hundred thousand DM has the lion's share. The other commitments are as follows: Pakistan - 250 million; Thailand - 100 million; Indonesia - 100 million; Korea - 75 million; Viet-Nam - 50 million; Ceylon - 40 million.

Against the backdrop of this economic support for Asian countries, the Belgrade Conference (September 1-6) disappointed the Germans. It was felt that Nehru particularly should have refused to support a final communique which was neutral on the Berlin question. After the Kennedy-Nehru talks, however, it was hoped that Indian policy on Berlin and the German question was set on a more satisfactory course.

There is little instinctive sympathy between German and Indians. The year opened with a widely publicized article by the former Indian Ambassador

* POL:PRSweat

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in Bonn, Tybadji, cuttingly commenting on the preoccupation of Germans with their own problems. The German press responded that this was not the kind of talk appropriate to a nation obtaining large amounts of economic aid from Germany. As the year ended the Indian attack on Goa was emphatically disapproved by all segments of German public opinion.

Nevertheless, in spite of the absence of sympathetic rapport, German policy is very cautious as regards India. For one thing, German trade with India is larger than its trade with any other of the developing countries, and the balance is heavily in the Federal Republic's favor (at an annual rate of about \$150 million). Politically, there is awareness than an Indian decision to recognize the "DDR" would be copied by several other states, including almost certainly Ceylon and Burma. The Federal Republic, despite its reservations, has been willing to make available to India about one-third of its total economic assistance in 1961, and to do this through a formal consortium of countries. When faced with problems such as that of the Indian attack on Goa, the Federal Government is disposed to congratulate itself anew that it is not in the UN and hence not obliged to take a position which might have serious repercussions in terms of the Federal Republic position vis-a-vis the GDR.

Relations with Japan continue to be good in all aspects, economic, cultural, and political. The relationship is comfortable, without any outstanding problems of consequence. The Federal Republic keeps the Japanese informed about the Berlin problem. A matter of some worry is the character of the socialist movement in Japan and the absence of comprehension by the dominant left wing of the German point of view. The central organization of the SPD in Bonn devotes considerable attention to correcting this shortcoming by organizing exchanges and cultivating contacts among the respective socialist leaders.

German relations with China, both Red China and Taiwan, are also dominated by considerations involving the "DDR". There are two pressures on the Foreign Office regarding China policy. Certain industrial and commercial interests advocate recognition of Red China as a means of promoting trade. The Foreign Office resists this pressure partly out of recognition of the importance of not getting too much out of step in the Far East with the United States. On the other hand, the pressure of the group led by Majonica and other parliamentarians to recognize Taiwan is also resisted. The Foreign Office fears that some of the Asian "neutrals" would react to recognition of Taiwan by recognizing the "DDR". Meanwhile, trade between the Federal Republic and Red China has decreased during the last 3 years from approximately 800 million to 200 million DM. The decrease has been caused mainly by the exchange difficulties of Red China, but also, it is believed, in part by the reorientation of some Chinese trade to Japan.

At Belgrade, Indonesia followed the line of the bloc on Berlin and the "DDR". While the Federal Republic also has other problems with

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[Indonesia (for example, the Indonesian wish to channel all German trade through Indonesian state trading companies), the Federal Republic has nevertheless continued to ship a certain amount of arms to Indonesia. Elements in the Foreign Office support such sales, though they annoy the Dutch, on the grounds that if the arms were not furnished by the Federal Government they would be supplied by the Bloc. The Indonesian Defense Minister Nasution was in Germany three times during the course of the year; first when he touched down at the Düsseldorf airport January 1. The second of these visits, June 26 - July 3, was the only official one. He was given red-carpet treatment in Bonn and toured the country, and was reported to have examined the possibility of training officers in Germany and making arms purchases. Bundesrat Minister von Merkatz also visited Indonesia on a trip January 22 - February 8, which took him and a sizable delegation to Burma, Thailand, Malaya and Ceylon as well. This trip was the main demonstrative gesture made by the Federal Republic to Asia during the course of the year.

G. Latin America*

The new West German Government's declaration of policy states: "Relations with the Latin American countries have developed very satisfactorily. The governments of that continent have during the last few months and more recently at the sixteenth General Assembly of the United Nations almost unanimously supported the demands of the German people for reunification and self-determination - a support for which I want to thank those governments from this rostrum."

In terms of political dividends this support for the Federal Republic's position represents a good return on investment. For whereas the Federal Republic's foreign trade with Latin America is substantial (greater, for example, than with all of Africa**), the amount of long-term development and credits extended to Latin America during the past year has been relatively modest (327 million DM compared to $2\frac{1}{2}$ billion DM for South Asia and the Far East).

There are elements in the Foreign Office (particularly in the Latin American Bureau), and also among parliamentary leaders (Bruno Heck, the newly-elected second whip of the CDU, for example), who believe the Federal

* POL:GEMouser

**5.3 per cent of total exports, and 6.7 per cent of total imports as compared with 4.5 per cent total exports, 5.7 per cent total imports for Africa during first 10 months of 1961.

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Republic has given inadequate attention to Latin America in its economic and aid policies. They feel that the stakes in Latin America are extremely important, not merely or primarily in the narrow terms of policy toward the "DDR", but of maintaining the position of the free world in areas where it is now under attack.

Foreign Office exponents of a more active Latin American policy find themselves somewhat hemmed in through the preoccupation of the top echelons with more pressing problems such as Berlin, the German question and European security and cooperation. Their frustration is heightened by a sense of impending disaster in Latin America if the West does not move quickly with both aid and pressure for social reform. As Germans, Latin American "aficionados" in the Foreign Ministry feel that their countrymen have special assets in the Latin countries in terms of liking and respect for things German. Count Pappenheim (head of the Central and South American Bureau of the Foreign Office), for example, believes that not only should a more sizable portion of German aid funds go to Latin America, but it should go primarily to those countries with a demonstrated desire to push ahead with social reform. He is of the opinion that the West must be prepared to accept leftist, reformist regimes in Latin America lest the continent be lost to the Communist Bloc. German officials do not regard the role of the large German communities in Argentina, Brazil, Chile and Paraguay as very great in changing the traditional way of life in Latin America as a whole. They think pressures must be brought to bear in conjunction with aid programs.

As for the special problem of Cuba, there are elements in the Foreign Office who favor a break in relations whether Cuba recognizes East Germany or not. It is believed that Cuba has not thus far recognized the "DDR" mainly because of economic considerations; German ships are at present carrying a considerable portion of Cuba's exports and imports. The Foreign Office claims that its desire to do something to stop this carrying trade is blocked by the absence of legal authority to take action. If the OAS moves to isolate Cuba at its January meeting, the Federal Republic will probably endeavor to cooperate. The Cubans are little in evidence in Bonn. The Mission is now headed by a Chargé, but there have been rumors that an Ambassador may appear on the scene.

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III. Internal Stability

A. The New Government

As 1960 drew to a close the Chancellor and the CDU/CSU could look forward to the new year with considerable confidence. They faced elections, but they felt that 1961 would mark another electoral triumph for them. The events of August 13, the relative set-back suffered by the party at the hands of the voters on September 17, and the prolonged coalition negotiations have combined to create a less optimistic outlook for 1962. The Chancellor, with the reins of power less firmly in his hands, heads a coalition with an FDP junior partner containing many restive elements. While the enlarged and more confident SPD opposition avows its readiness to cooperate in the vital foreign and defense fields, it has also stressed its watchdog role both in the Bundestag and in the country.

Despite the disgruntlement left by the coalition wranglings, the new Government is beginning to feel more self-assured. The new ministers have taken over their portfolios and have taken the measure of each other. They realize that they must perform work together, or face a repetition of the government-forming process, something no one can contemplate lightly. The only alternative would be admission of the Social Democrats into the Government, and party leaders in both the CDU/SCU and the FDP remain opposed to this solution. Together, the coalition parties have a comfortable majority in the Bundestag, 309 votes to 190 for the SPD, though defections from the ranks of both parties may result on controversial legislation. The gravity of the world situation has so far been a uniting factor, though there are many differences within the parties regarding the best approach to solutions of the Berlin and German questions.

With regard to major policy, the coalition partners have fewest differences over defense. Foreign policy, particularly Berlin, could bring a serious strain in the coalition, provided events comparable to those of last August 13 should severely shake public confidence in the Government. There are many in both parties, however, who will seek to avoid showdowns over foreign policy, to find areas of compromise, and to prevent any open breaks. Thus, while there are significant elements in the FDP who differ with the dominant CDU/CSU line on such issues as European integration, agricultural policy within the EEC, and development aid, it is unlikely that these questions will put the coalition itself under real stress in the immediate future. Domestic policy could cause more serious trouble. The social welfare wing of the CDU has been openly critical of the coalition with the FDP, because of the FDP's ties with financial and industrial interests; but here considerations of political prudence operate to keep differences within bounds. Adenauer and Mende appear determined to make the coalition work, at least for the time being. In the process, they must both be careful in the handling of their respective Bundestag groups, which contain many members who are not similarly committed to preserve the carefully constructed coalition edifice.

* POL/GMouser; PSweet: A detailed analysis of the new Government was submitted by Deepatch 762, December 4, 1961.

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The coalition agreement, which establishes "under the guise of cooperation a rather elaborate device for checks on the other's action," may well turn out to be the "scrap of paper" its detractors term it. It seems doubtful that busy men will stop to scrutinize the agreement at every turn; tacit understandings at the top would seem the most logical development.

B. The SPD Opposition *

In the elections on September 17 the Social Democrats substantially improved their standing, though the increase in their proportion of the vote fell short of their hopes. Their share of the total vote rose from 31.8 to 36.3 percent, and their Bundestag representation increased from 169 to 190. Even more important, internal dissensions have now been largely overcome. No one of consequence in the party sees danger of a serious split in the ranks—a fear that was on everyone's mind prior to the elections. Willy Brandt's position in the party appears secure, as does that of Erich Ollenhauer, Herbert Wehner, Fritz Erler and Carlo Schmid. In marked contrast with the increase in SPD electoral strength was the poor showing of the leftist German Peace Union (DFU). Although the small DFU vote (1.9 percent of the total) cost the SPD a few seats in the Bundestag, the inroads by the DFU were not nearly so severe as the SPD had feared.

The Social Democrats continue to press for an all-party government to deal with the grave international situation. Thwarted so far in this effort, the SPD has declared its intention of demonstrating a capacity for responsible participation in the government by maintaining a constructive, but watchful, opposition in the Bundestag. With Brandt at the head, the SPD seeks to establish itself in the public mind as defender par excellence of Berlin. It has criticized the Government for trying merely to uphold the "status quo minus," and has urged a "counter-offensive," taking the Four-Power status of all Berlin as the jump-off position for any negotiations, and aimed, among other things, at removing the Berlin Wall. The SPD has also repeatedly proposed since the middle of the year that a 52-nation peace conference be called to deal not only with the Berlin question, but with all outstanding questions remaining from the War. The SPD argument is that, as demonstrated by experience in the UN, the West could almost certainly muster an overwhelming majority of states in favor of self-determination. In opposition to the view that such a conference would bring grave risks for the West, the SPD contends that it would put the Soviets on the defensive.

Whereas the Government has been reluctant to discuss the problem of European security, for fear it would reanimate dormant disengagement schemes, and has looked increasingly toward discussions narrowly limited to Berlin, the SPD still maintains the position that the widest possible discussion of all outstanding problems is desirable. Although the SPD has become more explicit in its espousal of NATO and in its support of defense measures within the NATO framework (as illustrated by its expected support of the bill to extend conscription

*POL/Gmouser; PSweet.....

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from 12 months to 18 months), and the Party no longer identifies itself with disengagement measures as such, it is nevertheless still ready to promote fairly unrestricted discussions of European security; including regional plans.

As for questions of NATO strategy, the SPD has tended to take its cue from the Kennedy administration and to give sympathetic hearing to the strategic thinking of American experts reportedly close to the White House. The SPD opposes an expansion of independent nuclear capabilities, and repeatedly criticizes the Chancellor and Defense Minister Strauss for allegedly aiming to acquire such a capability under the guise of NATO policy. The SPD has viewed with suspicion the proposal to give NATO an independent atomic capability, but its position on this question is still somewhat fluid.

On such problems as the Common Market and development aid, the SPD finds little quarrel with the Government. Its criticisms of the Government's development aid program are limited to questions of method and administration, and are not pursued with partisan ardor. The SPD had hoped to make social and cultural policy a major issue of the electoral campaign, but these issues were largely blanketed out by the overriding importance of foreign and defense policy. The coalition of the CDU/CSU with the FDP has led, however, to a sharpening of the differences over social policy. In practical terms, the inclusion of the FDP in the Government is interpreted as a swing to the right in social and economic policy. It is probable that the SPD will support a more aggressive drive by labor in the coming year for a "more equitable division" of the economic product.

The fundamental problem for the SPD is that while the party is united, it seems doomed to minority status in the Federal Republic for the foreseeable future. Despite the substantial policy changes which have transformed the party into an essentially bourgeois party of somewhat leftist hue, the continuing aversion of a majority of the West German populace to any party bearing the label "Social Democratic" is such that coalition is the only available means to power. This way has for the present at least been barred by the refusal of the dominant elements in the present coalition to consider seriously any form of alliance with the SPD at the national level.

C. Other Political Groupings*

The 1961 Bundestag elections, in confirming the trend toward the "two-and-a-half party system," marked the virtual disappearance of the only other political party which could rightfully claim national status. The hastily constructed All-German Party (GDP), composed of the Refugee Party (BHE) and the German Party (DP), could muster on paper, on the basis of previous elections, a strength just short of the FDP. The elections proved that this was an illusion, as the new party fell below the 5 percent requirement. Since that time, the DP in its Lower Saxon homeland has been struggling to keep itself alive, but prominent leaders, including Hellweger, have continued to leave the party.

* POL/PSweet; GMouser

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The GDP leadership, as the national co-chairmen Seiboth and Herbert Schneider have publicly acknowledged, is dispirited and uncertain. The national convention scheduled for January 16 in Goettingen may witness the GDP's formal dissolution. The DP may continue as a strictly Land party in Lower Saxony and former BHE leaders may seek to resurrect the refugee party. As a national force, however, their prospects are dim.

The same is true of the competition on the extreme Right, the openly neo-Nazi German Reich Party (DRP). While this party had no expectations of overcoming the 5 percent clause, its leaders had hoped to capitalize on the events of August 13. Instead, the party dropped below one percent and the leaders are now wrangling over who was responsible. The Federal Chairman has resigned and has recently founded a new right-radical party called the German Freedom Party (GFP). A main goal will be armed neutrality for Germany.

The voice of the extreme Left in the Federal Republic, the DFU, while bravely talking of the future, has no brighter prospects than those of the other minor parties. In the elections the party was able to win barely 1.9 percent of the total vote, a percentage approximating that received by the outlawed Communist Party when it last contested national elections.

All of these minor political groupings face a highly uncertain future. They have persistently failed to capitalize on issues which would seem tailor-made for extremist groups. The German people have resoundingly rejected their nationalistic or neutralistic appeals. Special interest groups such as the refugees prefer to cast their votes for one of the three major parties.

D. Position of Chancellor Adenauer *

Both pro- and anti-Adenauer circles are generally agreed that the Chancellor suffered a personal political defeat in the elections on September 17 and that his prestige was further diminished during the subsequent coalition negotiations. The closeness of the vote by which he was finally re-elected Chancellor on November 7, 1961 (by a margin of 8 Bundestag votes out of a possible 309 from the coalition parties) arithmetically confirmed his expenditure of political capital. Nonetheless, he characteristically exhibited great aplomb both on the morning following the elections and on the occasion of his re-election as Federal Chancellor. Despite his age, the Chancellor evidently does not doubt that he is the only man with the requisite experience to lead the Federal Republic in the critical days ahead.

His position within his own party is difficult to gauge by normal political standards. He is a deft political in-fighter and a master politician when the occasion warrants, but he frequently remains aloof from routine political activity. His record as Federal Chancellor and as leader of the CDU/CSU has been such that when a real test of strength came, as it did following the elections, no one of stature in the party was prepared to challenge him. There

* POL/GMouser; PSweet

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had earlier been serious backstage talk in the CDU/CSU that the Chancellor "must go," that he must acknowledge defeat and retire gracefully, that his day had passed, etc. But when put to the test, as often before, the imponderable sources of his strength (which in large measure reside in the "average man's" continuing confidence in Adenauer's exceptional capacity to lead the country) manifested themselves once again. Failure to appreciate the extent of this political strength led to a serious miscalculation on the part of FDP leader Mende, who had publicly announced that his party would never enter a coalition headed by Adenauer.

How long Adenauer will remain in office is subject to two primary limitations: his physical condition; and his avowed intention to step down before the expiration of the current Bundestag term in 1965. He has stated that he will retire in time to permit his successor to establish himself in office before the next elections. The FDP professes to believe that he is more or less committed to take the irrevocable step in 1963. The CDU/CSU, least of all the Chancellor, have not publicly confirmed this interpretation.

In the perennial question as to his successor, the major candidates are Erhard, Schroeder, Strauss, Krone, von Brentano and Gerstenmaier. At present Schroeder has marked up the greatest relative gains and Erhard has been the chief loser. Schroeder owes his new prominence to his selection as Foreign Minister in succession to von Brentano.

Erhard is still the nominal successor and his great popularity in the country has apparently held up rather well. Among the politicians, however, some of his strongest supporters feel that he has again failed them at a crucial time. They believe, and this is particularly true of the FDP, that Erhard could have succeeded Adenauer immediately following the elections had he not been lacking in determination and decisiveness. His new critics point out that instead of fighting for the Chancellorship, Erhard tilted at the windmill of the new Development Aid Ministry (the name has since been changed to Economic Cooperation).

Strauss has no more than held his ground. His behind-the-scenes maneuvers during the coalition negotiations did not succeed and therefore won him no new admirers. His great abilities, however, are acknowledged on all sides, and he remains a serious candidate for the future.

Dr. Krone, now a member of the Cabinet as Minister for Special Tasks, would be the most likely successor if the only alternative were fratricidal party strife.

Because of the dignified manner in which he resigned during the coalition negotiations, Brentano has gained in prestige in the country and among his Bundestag colleagues. After being virtually counted out as a possible successor, he is now, as new Chairman of the CDU/CSU group in the Bundestag, at least mentioned again as a possible compromise candidate.

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Bundestag President Garstenauer, unpopular in his own party, seems an unlikely successor except as the head of an all-party government. He is respected, but he enjoys genuine popularity only among members of the FDP and the opposition SPD. No one doubts that Chancellor Adenauer himself will probably have some say about his successor before he finally departs, and President Luebke demonstrated by his activity during the coalition negotiations that he too must be reckoned with.

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